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McAdoo, William Gibbs

An American merchant marine

Washington, D.C.

[1915]

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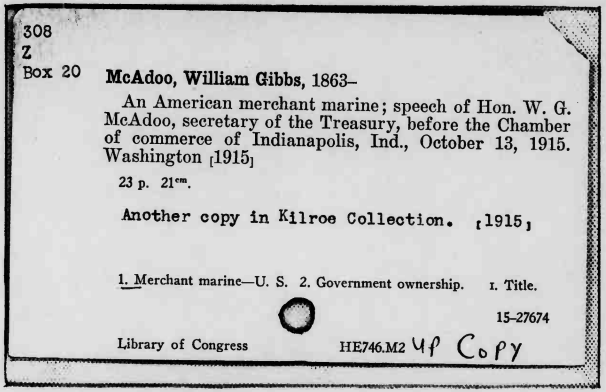

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An American Merchant Marine

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SPEECH

OF

HON. W. G. McADOO

SECRETARY OF THE TREASURY

Before the

Chamber of Commerce of Indianapolis, Ind.

October 13, 1915

STATE LIBRARY TRADES & LABOR COUNCIL WASHINGTON

SPEECH

OF

HON. W. G. McADOO

Secretary of the Treasury,

Before the Chamber of Commerce of Indianapolis, Ind., October 13, 1915.

THE terrible events of the past year in Europe, and the acute situations which have arisen in our foreign relations, have brought forcibly to the front the necessity for greater naval and military preparedness than our people have heretofore believed to be necessary for the national safety. Our "splendid isolation," upon which we have relied so much in the past as our chief protection, has been neutralized in great measure by the developments of modern science. Wireless telegraphy and wireless telephony, aeroplanes, fast steamships, powerful battleships, long-range guns, high explosives, and submarines which can cross the Atlantic and Pacific, have awakened us to a realization of the fact that the great ocean barriers have largely disappeared, and that we may in time become the object of attack by hostile powers. We have been forced to consider the new measures which are essential to put the country upon a basis of greater security. We must not approach this subject in hysterical fashion; we must not take counsel of fear, but counsel of prudence, reason and intelligence. We are so fortunately placed that we do not have to adopt a militaristic policy, as that term is commonly understood. Our geographical position makes it unnecessary for us to maintain such formidable military establishments as those of the great powers of Europe. The most indispensable factor in any sensible plan of national defense is a powerful navy, capable of striking with effect—both offensively and defensively—supplied with essential naval auxiliaries in the form of an American merchant marine and manned by American seamen who are ready and willing to fight for the Stars and Stripes against any enemy on the face of the earth.

What is a naval auxiliary? It is a fleet of merchant vessels so constructed that they may render essential service and assistance to our battleships and cruisers in time of war and serve the needs of our commerce in time of peace. A navy, no matter how strong in battleships, cruisers, torpedo boats and submarines, is only partially equipped without a merchant marine auxiliary. It is a fact, and every naval expert will so testify, that a merchant marine naval auxiliary is just as essential to the effectiveness of the navy considered as a complete fighting machine, as the guns upon the decks of our battleships and the seamen upon whose skill and valor the effectiveness of those guns depends. Why is this so? Because battleships and cruisers and torpedo boats and submarines have to be furnished at sea with coal, provisions and supplies of all kinds. Fighting vessels cannot carry sufficient supplies to remain long from their home bases, and they must have these essential auxiliaries in order to enable them to stay at sea and engage in effective offensive and defensive operations away from their home ports.

We cannot, with safety, rely upon our ability to purchase or charter suitable naval auxiliaries when a crisis appears. The very essence of preparedness for the navy is to have these vessels of suitable types and construction where we can put our hands on them quickly. To prove this I need only tell you what happened when war with Spain broke out in 1898. We had no naval auxiliaries—no army transports. We were utterly unprepared. We had to go into the market and buy immediately any and every kind of boat that could be hastily adapted to our purposes, and, of course, we paid fabulous prices for them. When a man, or a government, has to have something the other fellow has got, and that fellow knows that this something can't be gotten from anybody but himself, he exacts the highest possible price and gets it. This is human nature. The navy alone bought at that time 102 vessels as naval auxiliaries and paid, in round numbers, the fabulous sum of $18,000,000 for them. There is no officer of the navy who knows about these purchases who won't admit that most of these vessels were junk.

The Navy Department sold 25, or one-fourth of them, since the war for a total of $1,167,638. Listen to these figures:

Zairo, bought for	$87,597
Sold to Chicago Junk Co. for	3,300
Loss	$84,297
Yosemite, bought for	$575,000
Sold for	11,522.04
Loss	$563,477.96
Vulcan, bought for	$350.000
Sold for	175,750
Loss	$174,250
Hornet, bought for	$117,500
Sold for	5,100
Loss	$112,400
Niagara, bought for	$200.000
Sold for	75,563
Loss	$124,437
Alexander, bought for	$206.825
Sold for	17,400
Loss	$189,425
Hector, bought for	$200,000
Sold for	65,150
Loss	$134,850

Here are 7 vessels, bought hastily for naval auxiliaries, at a total cost of $1,736,922. They were sold for $353,785.04, making a total loss to the Government of $1,383,136.96, or more than 80 per cent. Isn't this a monument to American intelligence?

But we had to take anything we could get and pay any price the ship owner or broker asked, in order to send our fleet just a little way from home—to Cuba. This is the penalty we paid for our failure to create a real naval auxiliary. Unhappily we have learned nothing from that painful lesson and are in worse condition to-day than we were in 1898, so far as merchant marine naval auxiliaries are concerned, because our navy is much larger and its requirements more exacting.

In addition to the $18,000,000 spent by the navy, the War Department spent millions for vessels to transport troops. If we build a real and efficient naval auxiliary, we shall have the right kind of vessels to supply the army with transports when it needs them.

We have not to-day under the American flag sufficient vessels to give our navy, in case of war, the support and assistance which is indispensable to its efficiency. I do not ask you to take my word for this statement. I will give you the testimony of the Secretary of the Navy himself. In June last, I addressed the following inquiry to the Navy Department:

"Considering our navy as it is to-day, and having reference to its maximum usefulness and efficiency in time of war, what number of merchant vessels and of what total tonnage would be required?"

Admiral Benson, who was at the time Acting Secretary of the Navy in the absence of Secretary Daniels, replied as follows:

"There would be required 400 merchant vessels for auxiliaries with a total of 1,172,000 gross tonnage. In addition to the above, should our own coast be invested, or even occasionally visited there would be required a large number of small vessels fitted for mine sweeping, say at least 324 of such vessels, of about 150 gross tons each."

Then follows a statement of the various types and characteristics of the vessels required, but it is hardly necessary to give these details beyond saying that they cover fleet scouts, colliers, oilers, supply and repair ships, transports, ammunition supply ships, hospital ships, destroyer and submarine tenders, etc.

This estimate does not take into account future needs of the navy. As it increases each year our naval auxiliary merchant marine must increase proportionately.

There is no doubt of our ability to supply from our coastwise vessels the 324 small vessels for mine sweeping, referred to in Admiral Benson's statement; but we are not so fortunately situated with respect to the 400 merchant vessels for auxiliaries, aggregating about 1,172 000 gross tonnage, to which the Admiral refers. Undoubtedly a large part of this tonnage could be drawn from ships now under American registry, but such ships would, in many respects, be make-shifts and not suitable, either in type, speed or construction, to render, in the highest degree, the service which a well developed navy would require.

I am informed by the Navy Department that we could draw from our present merchant marine approximately 700 000 gross tonnage of vessels that could be converted into naval auxiliaries. This leaves us with a deficiency of about 500.000 gross tonnage to meet the needs of our navy as it stands to-day and without allowing for growth. It may be claimed in this connection that our merchant

marine has grown so rapidly in the past year that we are justified in relying on it to keep pace with our naval requirements, so that we could draw from it what we want in case of war. The increase in our merchant marine in the past year is due to the liberal act passed by the Congress after the European war broke out, known as the Ship Registry Bill, which authorizes any one to register a foreign-built ship under our flag by complying with the conditions of the act. While the German cruisers were in the Atlantic and Pacific, a considerable number of vessels of English and other registry, many of which were owned by American citizens, were transferred to the American flag. We have no assurance, however, that these ships will remain under American registry after peace is restored in Europe. Even if they do, their crews are composed mostly of foreigners who are under no obligation to fight for our flag and are not likely to volunteer to do so in an emergency. It is, of course, out of the question to rely upon citizens of foreign powers to fight our battles upon the high seas. We must not rely upon foreign ships and foreign crews which may have taken the benefits of American registry merely for safety and insurance against attack while the war is raging in Europe and which may desert us as soon as that danger is past.

As a part of our naval program of preparedness we should provide every element of a well equipped, highly efficient, and perfectly balanced naval fleet and organization. The ships, both of the fighting line and of the auxiliary line, should be the best that American skill and science can produce, and the men who are to fight the battleships and operate the auxiliaries must be trained American seamen, imbued with our national spirit and knowing no allegiance except to the United States. So vital is this that, whereas a few years ago we permitted foreigners to enlist in our navy, the law now compels the enlistment of American citizens only.

Every part of a highly developed navy and every unit of the human organization should work in thorough reciprocation like the parts of a perfect locomotive, enabling it to develop the highest power, the greatest speed, and the maximum of efficiency in all circumstances and under all conditions.

Our neglect to provide in the past the necessary naval auxiliaries gives us, however, one great advantage. By building them now we can develop a type that will be better than anything the world has yet produced. We can construct a more efficient arm of this character than any nation on earth possesses, and, while we are conserving the national safety by increasing the power of our national fighting machine, we can, at the same time, put into commerce a class of ships which will give our people in the expansion of our foreign trade advantages over every competitor. We can do this because the merchant marines of our leading rivals are, in most respects, composed of old ships, with obsolete equipment. We can build new ships of modern equipment, constructed with special reference to navy uses, commercial requirements, and economical operation that will be superior to anything that naval and marine architecture have yet turned out. As I said before, this is the one advantage of our past neglect, but that advantage will be lost if the calamity of war should overtake us before we can create our well-balanced navy, with its complement of merchant marine naval auxiliaries.

Up to this point I think we can all agree. I believe there is no citizen, however partisan he may be, or whatever his views may be about a merchant marine, who will not agree that the Government should provide the necessary auxiliaries for the navy just as it should provide the battleships and other essential fighting

units of the navy. Certainly we cannot afford to rely on private capital to create these naval auxiliaries. We cannot sleep any longer—we must prepare.

The Government should proceed immediately with the construction of these auxiliaries as a part of the program of preparedness. The vessels should be designed by the best marine and naval architects in this country. They should be passed upon and approved by the Navy Department, and the contracts for their construction should be let to American shipyards to the extent that such shipyards can build them, and our own navy yards should construct as many of these vessels as their capacity will permit. I wish to emphasize the importance of building these ships in American shipyards and in our navy yards. It is just as important a part of naval preparedness to have adequate shipyards for the purpose of constructing and repairing vessels as it is to have the vessels themselves and the men to man them. We must pursue an intelligent system of building up our shipyards and our navy yards as a part of the vital problem of naval preparedness.

When we have built the 500,000 gross tonnage of merchant vessels as naval auxiliaries, the question is, what shall we do with them. They will not be required for actual service unless a war breaks out. There are two methods of dealing with them. First, tie them up in our harbors and allow them to remain idle and rot; and, second, operate them under some intelligent plan for the protection and expansion of our foreign commerce.

Of course, no rational person would advocate that these vessels be kept idle in our harbors, awaiting the uncertain eventuality of war. The interest charge alone would be a large and continuing expense. In a comparatively few years the vessels would go to ruin and the whole investment would be lost.

If, on the other hand, we operate these ships under some sensible plan and expand our foreign trade, we will do the most intelligent possible thing from every standpoint. The operation of the ships will keep them in fit condition to respond to the immediate call of the navy in case of need, and we shall, at the same time, create a large corps of trained American officers and seamen, and the direct earnings may show a handsome return on the investment. Even if a loss is incurred, it will be a small price to pay for preparedness and the national safety. While thus preserving the ships and creating a highly efficient naval reserve, we can enlarge our foreign trade and carry our influence, both financial and commercial, into the open markets of the world. Is not this the intelligent thing to do? Can there be any difference of opinion on this point? If not, then all of us, whether partisans or not, can travel the same road this far.

I imagine also that there can be no difference of opinion as to the desirability of increasing our foreign trade. I believe that we shall all agree that the prosperity of this country depends upon the maintenance and expansion of our foreign commerce. What could more clearly prove this than the experience through which the Nation has recently passed and is now passing? When the European war broke out the first result was a complete disorganization of exchange and international credits, a dislocation of all foreign commerce and its almost complete stoppage for several months. The effect upon our internal situation was immediate and dangerous. In all of our leading ports there was great congestion of grain, cotton and supplies of all kinds, with corresponding injury and depression throughout the country. This was followed by a period of gradual loosening up, of restoration of confidence and credits, until now the orders from foreign nations have so stimulated our foreign trade that our industries are running full

time and there is a demand for all of our surplus products, particularly the products of the farms. Our only difficulty is a lack of ship tonnage which is preventing our exports from being greater than they are. While the volume of our exports in dollars has increased because of higher prices for them our actual tonnage probably shows a decrease. If the volume of our foreign trade should continue to be even as great as now, it would mean a long period of unusual prosperity in this country, but when peace is restored in Europe there will be a decreased demand for many of our products. It will be necessary to substitute markets which are now available and practically untouched by us if we are to preserve our prosperity unchecked. I refer to the markets of South America and the Orient.

What are the South American markets worth? The latest available figures show that the total yearly imports of South America from Great Britain, Belgium, France, Austria-Hungary, Germany, Italy and Russia were $677,767,815. Austria-Hungary and Germany alone exported to South America annually $197,000,000. This great trade is open to us. The total United States exports to these countries for the last year of available statistics were only $166,598,949. I have no figures on the Orient.

If we take these markets while we have the chance, we can establish unparalleled prosperity in this country. We have, by reason of the Federal Reserve System, so organized and consolidated our credit resources that we now have the financial strength to extend our commerce wherever it will go. Our one and indispensable need is ships; merchant ships of American registry. We can get them by creating the necessary naval auxiliaries.

Why is it necessary to our commerce to have a merchant marine under the American flag?

This is an economic question of primary importance. We are one of the greatest industrial and producing nations on earth. We must have foreign markets to absorb our surplus products. Without them we shall have stagnation and depression and idleness and want. To secure our share of the open markets, such as Central and South America and the Orient, we must compete with other leading industrial nations of the world, such as Great Britain, Germany and France. If we have to depend on their ships to carry our goods in competition with them, to South America and the Orient, they will naturally favor British or German or French merchants, as the case may be, both in rates and service, as against American merchants. We have no control over or power to regulate these foreign steamship lines, or to prevent them from discriminating against our interests. If we have American ships, their first interest is to build up and extend American business, just as the first interest of the British ships is to build up British business, and the German ships to build up German business. After the European war is ended, competition for the open market of the world will be more intense than ever. We must have every facility that our competitors have, if we are to get an even chance.

Let me illustrate: Suppose a merchant in Buenos Aires wants to place a large order for cotton goods, or steel rails. He gets quotations in England, Germany and the United States. The English manufacturer has an English steamship line to carry his product to Buenos Aires, and the German manufacturer has the same advantage in a German line. But the United States manufacturer has only a British or German ship to carry his product to Buenos Aires. Don't

you suppose that the British and German steamship companies are going to give the best rates and service to the British and German manufacturers, instead of the American? Of course they are. Their first interest is in building up their own countries. But if the American manufacturer has an American steamship line to give him a fair show in rates and service, he may get the business.

Let us bring the point nearer home. Suppose two men were running competitive grocery stores in Indianapolis, and that one of them had a fast automobile delivery service and the other had to use the automobile service of his competitor for the delivery of his goods. How much business would the grocer who has no delivery service of his own do? Not much. His competitor with the automobile service would soon put him out of business.

This is not all.

Having few American ships, in the foreign trade, we are dependent today on the flag of Great Britain for the carriage of the greatest part of our commerce. She is at war. She must use her ships for her own necessities first, as a matter of course. She cannot supply us with the ships we need for our own commerce, and the longer the war lasts the less she can do for us. The German flag, our other chief reliance, has disappeared from the seas. If Great Britain's control of the sea should be destroyed or seriously impaired, it would react disastrously on our trade and general situation. As an economic question, are we justified in relying upon the ships of any foreign flag to protect our vital interests, especially when the nation upon whose ships we depend is, or may be, engaged in great wars?

Consider a more serious phase of the matter. Suppose that a war between Great Britain and the United States should ever break out. Her ships would be withdrawn and we should be involved in immeasurable disaster.

The risk is too great for any first class power to take. We have no right to hazard the fortunes and the welfare and the safety of our country on such a chance. Already we are too close to the awful European conflict although we are at peace, thank God, with every belligerent. Let us secure our safety, physical and economic, by doing what is necessary to be done, and what we are so able financially and otherwise to do.

We are, moreover, paying to foreign steamship lines more than $300,000,000 per year, when, by having our own ships, we could pay them for this service, build up a merchant marine which will profit our people in time of peace and serve our country in time of war.

The question now arises as to how these merchant marine naval auxiliaries can be operated with the greatest benefit to the country. It must be borne in mind that a really useful naval auxiliary should consist of fast passenger and cargo ships, as well as ordinary cargo ships. The ordinary passenger and cargo ships would be suitable for operation on specific routes, such, for instance, as lines running,

To Brazil, Uruguay and Argentina, and touching at the important ports of those countries.

To Colombia, Ecuador, Peru and Chile, and along the west coast of South America.

To the Orient, touching at Honolulu and the leading ports in Japan, China and the Philippines.

We should not, however, establish regular steamship lines where sufficient

and satisfactory service has been established by American companies operating ships under American registry.

The ordinary cargo ships could be used in any and all parts of the world, and in such manner as will be most beneficial to the commerce of the country.

To bring about these results a Shipping Board should be created, consisting of the Secretary of the Navy and the Secretary of Commerce as members ex-officio; and three members to be selected by the President and confirmed by the Senate. I suggest that the Secretary of the Navy be a member of the Board, instead of the Secretary of the Treasury as proposed in the Shipping Bill introduced in the last Congress, because, at that time, the necessity for naval preparedness was not so apparent as it is now. Naval auxiliaries and naval reserves make co-operation and coordination with the navy essential, and with the Secretary of the Navy on the Board, this will be secured. The Secretary of Commerce, whose Department has its hand constantly upon the business pulse of the nation, should obviously be a member of the Board. Congress should appropriate and put into the hands of this Board a fund of $50,000,000. This would be sufficient to create a naval auxiliary of suitable merchant ships of from 400,000 to 500,000 gross tons. This Board should have authority to establish, as quickly as possible, steamship lines to the east and west coasts of South America and to the Orient. In my judgment it is highly important that such lines shall be established and operated under governmental control, so that there may be a guarantee of sufficient, regular and reliable service, and at such rates for passengers and freight as will put our farmers, producers and manufacturers on a competitive basis with their rivals in the world's trade. What the American producer and manufacturer needs, more than anything else, to enable him to capture his share of the world's markets, is this kind of steamship service, a service which he knows he can depend on, and rates which he knows will enable him to successfully compete with his European rival.

In order to make this service most satisfactory, the Shipping Board should have authority to organize a corporation, or corporations, and to subscribe to the capital stock thereof in whole or in part, as the Board may determine will most effectively carry out the objects in view. The Board should have authority to vote the stock belonging to the United States for the election of directors. These directors will, in turn, choose the officers and employees of the corporation. By this means they will be removed from political influence, just as the Panama Railroad Company and Steamship Line, in which the Government is the sole stockholder, is unaffected by political influences.

Another great advantage in having a corporation in which the Government is a stockholder instead of the Government itself operating these lines is this: The corporation can sue and be sued, and a shipper will have no difficulty in enforcing his remedy or claim against the corporation. If the Government directly operated steamship lines, shippers would be embarrassed in the enforcement of their claims. They would have to sue in the Court of Claims at Washington and, after judgment, secure an Act of Congress before payment could be made. In commercial undertakings it is important that legal remedies shall be prompt and effective. Moreover, the operation of the ships through the agency of a corporation such as I have described will result in securing the most efficient management, and the methods will be as simple and direct as those of rival lines operating under foreign flags. These lines operated by a corporation or corporations under the general

supervision of the Shipping Board will give confidence to business men, not only in the United States but in all those countries of South America and the Orient with which they will connect.

As a result of the Pan American Financial Conference held in Washington last May, in which eighteen Central and South American nations participated, I am confident that those countries to which such lines run will extend every possible facility in the form of docks, terminals and favoring laws. Certain of those nations have indicated their eagerness to cooperate with our Government in the most effective manner for the purpose of improving trade and commercial relations between their countries and ours.

As to the distinctively cargo ships, to which I have referred, and which would constitute a large and important part of the proposed naval auxiliary, I think that a different form of treatment could be adopted with great advantage to our commerce. The Shipping Board should have the power to lease these ships to responsible individuals, firms or corporations, under such conditions as the Board may deem best, but in no event at less than 3 per cent on the cost of construction and 4 per cent for depreciation. The length of such leases, or charters, and the general conditions connected therewith, should be left to the discretion of the Shipping Board.

This would put in the hands of the Board a mobile fleet of vessels which could be used in any part of the world, and under conditions that would enable them to meet any emergency that might arise anywhere with respect to our commerce.

Let us consider such a situation as now confronts the Northwest. The lumber and grain interests in Washington, Oregon and throughout the Northwest, have suffered severely for lack of shipping facilities. At certain seasons of the year the South requires a large number of ships to transport its cotton to Europe. In such circumstances the Shipping Board could throw a fleet of steamers into the leading ports of the Northwest and South to take care of the seasonal demands, and protect shippers and business men in those sections of the country against loss and injury, and the excessive and extortionate charges from which they have too frequently suffered.

I do not mean to say that the power of the Shipping Board should be limited to leasing ships. The Board should also have authority to operate them in commerce whenever suitable lessees cannot be found, or whenever in its judgment the interests of our commerce would be best subserved by such direct operation through the medium of a corporation, or corporations, as I have already described.

Under this plan these merchant marine naval auxiliaries could be made to set the pace in merchant marine construction and operation. They could be used as a school for demonstration and for the training of a naval reserve, along with the highly utilitarian services they would perform. We could prove the falsity of the claim that ships cannot be operated under the American flag at a profit—with modern ships of superior construction and economical operation and with American seamen of proved efficiency—because the genuine American seaman is the most efficient seaman—I know that we can beat the world—we have done it on the Great Lakes and we can do it on the high seas. The Department of Agriculture and the Department of Commerce have demonstration schools or agencies which have rendered invaluable service to our farmers, manufacturers

and business men, and there is every reason to believe that the Shipping Board could render highly valuable services in the shipping field. These ships would constitute the very backbone of an American merchant marine and would restore the American flag to the high seas. They would also constitute an effective protection for the commerce of this country, to say nothing of the vital service they would perform for the nation in time of war.

Under the stimulation of such a plan, our shipyards would get additional business, not only for the construction of vessels, but also for their maintenance and repair. As I have before stated, we would, incidentally, be developing the shipyard facilities which are an essential part of the program for preparedness. The orders for these vessels need not be limited to shipyards on the Atlantic and Pacific Coasts. There is no reason why our shipyards along the Great Lakes cannot be utilized for the same purpose; why they cannot be employed during the dull winter months in turning out the parts for these vessels, which could be transported in sections through the Great Lakes and the canals to the Atlantic Ocean, and assembled there. This would increase our shipyard facilities and give employment to many of our workmen during the winter months in those parts of the country where they would otherwise be idle.

The Shipping Board should have power to reform our navigation rules and regulations; to study shipping problems and recommend to the Congress the necessary legislation to encourage and develop a great merchant marine under the American flag.

The time has come when the Congress should consider the creation of some instrumentality for the regulation of merchant marine companies. As it stands today, no ocean transportation company is subject to the least regulation or control by the Government. Marine companies operate their ships, change their sailings, or discontinue the operation of their ships when and as they please, and regardless of the rights of shippers. They fix and change rates without notice, arbitrarily and in total disregard of the rights of shippers. They determine what cargo they will or will not carry and discriminate in favor of one shipper against another.

When we consider the effective laws which have been passed by the national government and the various states to regulate common carriers, it is amazing that the steamship companies which are common carriers, on the high seas have been allowed to go all these years without regulation or control. What could argue more strongly in favor of governmental regulation of ocean carriers than the recent action of the Pacific Mail Steamship Company? Here is a company which has operated a service between San Francisco and the Orient for many years. Our business men, manufacturers, and producers, have built up great trade interests with the Orient upon the faith of this service. All of a sudden, and without adequate notice, and with utter indifference to the injuries that might be done to shippers and the interests of this country, the Pacific Mail Steamship Company sells its ships and announces that it will discontinue its service. Suppose that the directors of the Union Pacific Railroad Company should decide that they could make more money for their stockholders by tearing up the rails of their tracks and selling them and their locomotives and cars to some belligerent government, because that government is willing in time of war to pay fabulous prices therefor, what do you suppose the indignant people

along the line of this railroad would do to the officers and directors of that company? No common carrier on land would be permitted to do such an arbitrary and injurious thing as our common carriers on the high seas may at any time do with impunity.

The Pacific Mail people claim that the passage of the Seamen's Bill forced them to discontinue business. I am told that the Seamen's Bill was not the mainspring for the transfer of the Pacific Mail vessels. The Panama Canal Act, which denied railroads owning competitive steamship lines the right to operate them through the canal, and the fact that present abnormal rates for cargo space on the Alantic which made it possible for the Pacific Mail to sell its ships at more than their real value, was, I understand, the true cause of their sale.

In attributing the transfer to the Seamen's Bill, the Pacific Mail people had an opportunity to excuse themselves in the eyes of the public for an action which otherwise would have been strongly denounced. But if the Government has passed any laws which make it unprofitable for them to operate their ships in the Pacific, they might properly say that they cannot and ought not to be compelled to maintain their service at a loss. Let us grant that. It is certain, however, that adequate steamship facilities between the Pacific Coast and the Orient are vital to the interests of our country. Suppose they cannot be maintained except at a loss. Must we then do without these facilities? I say no. In those circumstances such service should be provided under our flag, and if private capital cannot afford to provide it because it involves a loss, then the Government should provide it and take the loss for the general welfare of all the people and for the protection of our trade and prosperity, especially when the vessels for such service become a part of the naval auxiliaries essential to the national defense. If the Shipping Bill had been passed in the last Congress the Pacific Mail ships would not have been transferred to the Atlantic. The Shipping Board would undoubtedly have bought those ships and kept them in the Pacific trade where they are needed, and the interests of the Pacific Coast would have been saved from injury.

The Shipping Board should also have the power, acting in conjunction with the Interstate Commerce Commission, to arrange for the issuance of through bills of lading between our railroad lines and steamship lines, operating under the American flag in the foreign trade, and to provide the means whereby special through rates can be made between our railroads and steamship lines to enable them to meet the competition of foreign carriers in the open markets of the world. I am sure that plans and regulations of this character, if properly worked out, would give our shippers and business men the opportunity of largely increasing their business in foreign markets by putting them in better position to meet competition.

Is there anything unreasonable in this plan? On the contrary, is it not a practical plan which promises to give early results? Up to the present time our antagonists have offered nothing but criticism. They roundly denounced the plan proposed at the last Congress for the creation of a merchant marine, but they have never offered a single practical or constructive suggestion as a substitute for that plan. The country is not satisfied with mere criticism of a practical plan. It demands that this important problem be solved in the interest of the nation, and expects that those who criticise will present a practical substitute

if they want a hearing. Let our opponents present constructive suggestions.

The Shipping Bill introduced in the last Congress is different in some details from the plan here suggested, but that bill was introduced in September, 1914, just after the great European war had begun, when it was necessary to move swiftly for the protection of American business interests. Even that measure would have been of inestimable service to the country, had it passed, because there was a superabundance of purchaseable ship tonnage which could have been bought at that time and used with immense benefit to American commerce during the past year.

American business has paid dearly for the defeat of that measure. I am sure that the increased extortionate ocean freight rates paid by our defenseless producers and shippers in the past twelve months have exceeded several times the $40,000,000 which the Shipping Bill authorized the Government to expend on merchant vessels. But this is only a small part of the injury. Grave losses have been sustained by our business men because they could not ship at all. Take lumber and manufactures of wood as an example. For the firscal year 1914 our exports of these products were, in round numbers, $99,000,000; for the fiscal year 1915, they were in round numbers $48,000,000, a decline of $51,000,000. This was due almost entirely to the lack of ships and prohibitory ocean rates. Take coal as another instance. In the face of the most extraordinary demand for our coal from Spain, Italy, France, Argentina and South America, our total exports of coal for the fiscal year 1915 were, in round numbers, $56,000,000, against $60,000,000, for 1914—showing a decline of $4,000,000 in the face of the greatest demand in our history for our coal for foreign consumption. France alone needs 40,000,000 tons of coal the next year. We could supply it if we had the vessels. Think of the stimulus to our coal land, lumber industries and the profitable employment it would give to labor if we had supplied the ships to secure this foreign trade for our producers. I could multiply instances, but it is unnecessary.

No classes of our people are more vitally concerned in adequate steamship lines to deliver our products to foreign markets than our farmers and laboring men. Why?

Let us consider the farmer first. Our farmers have always produced more than they could sell in our own home markets. This is notably true of grain and cotton. We depend absolutely upon foreign markets for the disposition of our farm surplus. To show you the magnitude and importance of our foreign trade in farm products, I need only call your attention to the fact that for the fiscal year 1915 our total exports were $2,716,178,465, of which the total crude and manufactured farm products represented $1,616,687,466, or more than 59 per cent of our total exports. If steamship facilities are inadequate the farmer has added difficulty, if he is not to a large extent actually prevented from getting his surplus products to foreign markets. Moreover, he is a great sufferer from exorbitant freight rates.

For the past year, because of the lack of American ships and the scarcity of ocean tonnage generally, ocean freights in the Atlantic have been extortionately high. The normal rate of 4 cents per bushel for grain from New York to Liverpool has been increased to 40 cents per bushel. I do not have to argue with any intelligent farmer that he gets less for his grain on the farm when it costs

40 cents per bushel to ship it from New York to Liverpool than when it costs only 4 cents per bushel for the same service.

Our farmers, because they produce the bulk of our wealth, as well as the bulk of our exports, ought to be protected against extortionate ocean freight rates, and ought to have the assurance of sufficient steamship service and reasonable rates to secure fair treatment and enable them at all times to compete in the open markets with his rivals in the other great farm producing regions of the world.

How is the laboring man affected? Labor on the farm is interested for the reasons already given about the farmer, but the laboring man in our great industrial plants is likewise deeply concerned in this subject. We exported in the fiscal year 1915 manufactured products, other than farm products, $843,699,562, or 31 per cent of our total export trade for that year. As our manufactures are put in position to compete in the open markets of the world with their great industrial rivals of other nations, labor will be employed in this country more regularly and at higher wages. Wide fluctuations in industrial conditions hurt the laboring man more than any other because it frequently forces upon him periods of idleness. If our manufacturers are put in position to secure fair treatment and enable them to take their share of the world's markets, as they can be through the creation of a naval auxiliary merchant marine, it will help to bring about stable conditions in the great industries of this country with steady and remunerative employment for labor and stableized prosperity for our manufacturers.

In 1907, Mr. Gallinger, the distinguished Senator from New Hampshire, and leader of the Republican party in the last Senate, said:

> "We need American ocean mail lines to South America and other distant markets, and we shall have them. We shall have an American merchant marine and a naval reserve. We shall not go on forever as we are going now, paying $200,000,000 every year in freight, mail and passenger money to the ship owners of foreign nations, our rivals in trade and possible enemies in war."

How much more imperative and vital now is the need which Senator Gallinger so eloquently and accurately described eight years ago!

What is the real fight in this merchant marine controversy? It is a fight for subsidies. What are subsidies? They are gifts from the United States Treasury to favored corporations, firms and individuals who operate ships. Why should we give away millions of dollars of the people's money each year to favored ship owners over whose rates and service we have no control? Wouldn't it be more sensible for the Government to spend these millions in building up a splendid naval auxiliary merchant marine which can be controlled and operated in the interest of all the people? If we adopted the policy of subsidies wouldn't the corporations and individuals with the strongest and largest pull get most of the money as they always have done when free money has been distributed by the Treasury in the "good old days of special privileges?" Every ship owner and every ship monopolist wants subsidies. Of course they do. They would profit by them, and they are going to make a desperate fight for them in the next Congress.

But they can't succeed because no Democratic Congress will pass a ship subsidy bill and no Democratic President will approve one. The Democratic party is in control of the Government and is pledged by its platform and record against subsidies. Why, then, contend for the impossible? Why not accept the

only practical plan—the creation by the Government of a naval auxiliary merchant marine with the money the subsidists want the Government to give to them? The Democratic party declared in its platform for a merchant marine created by the constitutional methods, to build a naval auxiliary and use it to create a naval reserve of officers and men and to build up American commerce, is a constitutional method.

A vigorous and persistent attempt has been made to prejudice the country against a practical measure for the establishment of a merchant marine on the ground that it would put the Government in the shipping business; that it is socialistic, etc. The proposition is not to put the Government directly in the shipping business, but to let it take stock in a corporation which was to engage in the shipping business.

The first Congress which convened after the adoption of the Federal constitution, recognized the right of the government to subscribe to stock in a private corporation when its business is impressed with a public service. My illustrious predecessor, Alexander Hamilton, proposed the organization of the first United States Bank with a capital of $10,000,000. In 1791, the Congress authorized it and subscribed $2,000,000, or 20 per cent of the capital stock. Federalists and Republicans alike voted for it, and President Washington approved it. When the second United States Bank was incorporated in 1816, Democrats and Federalists alike voted for it, and President Madison approved it. The second bank had a capital of $35,000,000 and the United States subscribed to $7,000,000, or 20 per cent of its capital stock.

The next notable instance of the Government subscribing to the capital stock of a corporation is that of the Panama Railroad Company, which also operates the Panama Steamship Line between New York and Panama. Here again is a corporation whose business is impressed with a public service. Republican Senators and Congressmen voted almost solidly for this measure, and President Roosevelt approved it. The Government of the United States owns every dollar of the Panama Railroad Company stock. The Panama Railroad and steamships have been operated for the past thirteen years by this private corporation in which the United States is sole stockholder, under the supervision of the War Department, and the ships have always been operated at a profit. Political influences or activity have never interfered with the conduct of that company's business. Senators Burton, Gallinger and Lodge, and many others who have opposed the Government taking stock in a steamship company, voted for the purchase of the stock of the Panama Railroad Company and Steamship Lines. It is somewhat amusing to hear Republican Senators strongly denouncing the idea of the Government engaging in "any business that will interfere with private enterprise," in the face of the record they have made in Congress. Who put the United States in the express business and almost destroyed all of the private express companies in the country? The Republican party. It was during Mr. Taft's administration that the Republicans championed the parcels post. It is true that the Democrats helped them put it through, but it does not lie in the mouths of the Republicans to say that they are opposed to the Government engaging in private business in the light of this record. It was the Republicans, also, during Mr. Taft's administration, who put the Government in the savings bank business, by establishing the postal savings banks. I remember when bankers throughout the country were strenuously opposing the postal savings bill because they urged that

the Government would become a competitor in the savings bank field.

Let me instance also the Federal Reserve Act. There is no piece of legislation in half a century which has produced already such pronounced benefits to the American people as this great measure. Bankers and politicians throughout the country opposed this bill because they said it put the Government in the banking business; that it is "socialistic." The American Bankers Association, at its annual meeting in Boston in October, 1913, about two months before this bill was passed, formally denounced it by resolution as socialistic, etc. Do you know why the Federal Reserve System was successfully established? It was because of a provision in the bill which authorized the United States to take all the stock in Federal reserve banks which the National banks failed to take. Doubtless you will recall that many banks threatened, while the Federal Reserve Act was under discussion, to withdraw from the national banking system if it became a law. It is quite likely that if the Government had not protected itself by providing that the United States might subscribe to the stock of the Federal reserve banks, a formidable movement among the national banks of the country to withdraw from the system might have been successfully carried out. In that event we would have had no Federal Reserve System. But the fact that the Government would, if necessary, provide the capital to establish the Federal reserve banks made the banks realize the futility of further opposition. As a result we have today twelve Federal reserve banks which have consolidated and organized our credit system and resources on such a basis that we are the strongest nation financially upon the face of the earth.

I believe that there is no intelligent banker, businessman, or citizen of this country, who understands the Federal Reserve System and its workings, who does not thank God for the great law which created that system, whether it be socialistic or whether it puts the Government into the banking business or not.

Since the beginning of the Republic, Federalists, Democrats, Republicans, Whigs and Progressives have voted for and sustained the principle that the United States may subscribe to the stock of quasi-public corporations.

Can there be any question as to the necessity for an American merchant marine? I believe there is no difference of opinion on this score. Chambers of Commerce from one end of the country to the other have passed resolutions reciting the necessity for an American merchant marine. Business men and politicians and statesmen of all shades of opinion are in agreement as to its necessity. Even our Republican friends in Congress admit the necessity. On March 26, 1914 Senator Weeks prepared and submitted to the Senate a resolution containing the following preamble:

"Whereas, it is desirable to develop and extend commercial relations between the United States and the countries of South America by the establishment of direct lines of communication for carrying the United States mails, for the transportation of passengers and freight, and

"Whereas, private capital has not engaged in this service to a sufficient extent to furnish facilities comparable to those enjoyed by the people of other countries having trade relations with South America,

"Therefore, it is resolved that the Secretary of the Navy be authorized to prepare a plan for the operation of some of the navy cruisers between New York and New Orleans, the city of Valparaiso, Chile, and intermediate points."

and subsequently Mr. Weeks presented to the Senate a bill to carry out his plan, in which the Secretary of the Navy was authorized "to establish one or more

navy mail lines, by employing such vessels of the navy as in his discretion are available, etc., for the purpose of establishing and maintaining regular communication between the east or west coast, or both coasts of the United States, and either, or both, coasts of South America, and between the United States and the countries of Europe." The Secretary of the Navy was also authorized to prescribe regulations for the operation of such vessels and to fix the rate or rates at which mail, passengers, and freight could be carried.

Can you imagine a more direct method of putting the Government into the shipping business than to transform our battleships and cruisers and other naval vessels into merchant ships, operating them through and by virtue of the direct sovereignty of the United States Government, and having the Secretary of the Navy engage in the shipping business, fix the rates of freight and passengers, sue shippers for failure to pay their bills, and do all those things which the steamship owner in private enterprise would have to do to carry on the business? Who voted to put the Government directly into the shipping business in this preposterously expensive, unwise and ineffective manner? Senators Weeks and Gallinger made speeches for the bill and Republican Senators and Democratic Senators voted for the bill. It was passed without division.

The Secretary of the Navy's report shows that some of the cruisers which Senator Weeks wanted us to operate between Europe while the war is in progress, and between the east and west coasts of South America, could carry only 17 to 20 passengers, the United States mails and about 150 tons each of express freight. The Secretary of the Navy stated that it would be a very expensive service. It would have been impossible for these ships to render either a sufficient and satisfactory service or to have conducted the business with the remotest chance of making a profit. All of the Republican Senators to whom I have referred voted for this bill on the 3rd of August, 1914, after the European war had broken out.

In his speech on the subject, Senator Weeks said that "South American mails are sent at long and sometimes irregular intervals, and all American mails south of the Equator are carried in vessels sailing under a foreign flag;" that "the service to South America is very slow and this, it may be easily assumed, militates against the development of our trade with South America." The Senator also said:

"We are in the position of having spent $400,000,000 in the building of a canal, one of the reasons for doing so being that it would aid in the extension of our foreign trade; but as far as I know, there are no American steamers prepared to undertake this service."

Mr. Gallinger said that he would vote for the measure, although he thought it a "make-shift"; that the question of steamship service to South America had been agitated a great deal; that he had agitated it; Senator Root had agitated it; the President of the United States had agitated it; Republican and Democratic statesmen had agitated it; yet he said: "We are without a line from either the Gulf, the Pacific, or the Atlantic Coast of the United States and South America." He said that "the bill proposes to put in service a few inadequate ships if we can spare them from other service—ships that will carry a handful of passengers and a little freight"; and then he exclaims: "slow ships, I take it, almost every one of them, and we are to be put in competition with the great countries of the world with their magnificent steamships, by calling together this conglomeration of third class, or fourth class, ships for this service. I do

not oppose it, because I think if we can do anything to give us a chance in the markets of South and Central America we ought to do it!"

Senator Gallinger also called attention to speeches he had made in the Senate, and said: "I am gratified to observe that in those speeches, among other things, I called attention to two possible complications which might arise if we did not have an adequate merchant marine. One was that, in the event of a great European war, we would not have any ships to transport the products of our farms and our factories. Those are the words that I used; that is exactly the situation which confronts us at the moment. The other suggestion I made was, that *in the event of a war between a great foreign nation and our nation, we would have no adequate auxiliary ships to supplement our battleship fleet, and that is exactly the situation which exists today.*" Senator Gallinger also remarked: *"If we only had adequate steamship lines between the United States and South America, there would be a big boom in American trade which would astonish not only our own people, but the world."*

These are true and prophetic words and do credit to the distinguished Senator from New Hampshire.

I will not tire you with further quotations. I merely wish to commend those Republican Senators for their intelligent conception of the situation at that time and for their expressed willingness to help solve a very pressing problem —a problem which is still pressing and unsolved. If we needed ships so badly before the European war broke out, as they declared we did, how much more badly and sadly have we needed them since. I don't know what made these gentlemen change their position. In the fight that subsequently developed I deeply regretted that partisanism appeared to override the merits of the great question, and the "boom in American trade which would astonish not only our own people, but the world," as Senator Gallinger aptly described it, if we established "adequate steamship lines between the United States and South America," has never matured, because Senator Gallinger and his colleagues prevented the establishment of "adequate steamship lines," as proposed by the Administration.

Just one month after Mr. Weeks' bill to put the Navy in the shipping business had passed in the Senate, Judge Alexander, Chairman of the House Committee on Merchant Marine and Fisheries, introduced a bill authorizing the Government to take stock in a shipping corporation, just as the Government owns the stock of the Panama Railroad and Steamship Corporation, and to build or purchase some adequate steamships and put them into service between the leading ports of the United States and the leading ports of South America.

Now these merchant ships, under the Alexander bill, would have been suitable for the service. Instead of carrying only 17 to 20 passengers and 150 tons of express freight, they would have been able to carry a large number of passengers and a great cargo of general freight, which would have made them not only highly useful to our commerce but would have made their operation profitable. Such a service as that proposed by the Alexander bill would not have been a "makeshift," as Senator Gallinger described the Weeks bill, and the service proposed by the Alexander bill would have created, as Senator Gallinger described it, a "boom in American trade which would astonish not only our own people but the world." Any number of desirable ships could have been bought at that time, and at extremely reasonable prices, if the Alexander bill had been promptly

passed, and it would not have been necessary, nor was it the intention, to purchase the ships belonging to any belligerent power tied up in the harbors or waters of the United States. With extraordinary inconsistency, the Republican Senators in Congress, after voting to put the Government into the steamship business by operating an inadequate service with naval vessels, fought like tigers against the passage of the Alexander bill, which was the only practical measure proposed to solve the pressing ocean transportation problem then, and until this time, confronting the nation.

The Congress authorized by Resolution the holding of a Pan American Financial Conference in the City of Washington, and appropriated $50,000 for the purpose of paying its expenses and entertaining, as the guests of the nation, the delegates of the eighteen Latin American countries which were represented in that Conference. The Secretary of the Treasury, under the direction of the Resolution, represented this Government in this Conference, and by authority of the Congress he invited leading bankers and business men of the United States to participate in the proceedings. By unanimous vote of the delegates representing all the countries of Central and South America, and of the one hundred or more leading bankers and business men of the United States whom the Secretary of the Treasury had invited to that Conference, the following resolution was adopted:

"RESOLVED, That it is the sense of this Conference that improved ocean transportation facilities between the countries composing the Pan American Union have become a vital and imperative necessity, and that every effort should be made to secure, at the earliest possible moment, such improved means of ocean transportation, since it is of primary importance to the extension of trade and commerce and improved financial relations between the American Republics."

I violate no confidence when I tell you that the delegates of South America returned to their homes with a feeling of disappointment that no practical means had been evolved by the Conference for the creation of those steamship lines and facilities which they declared to be absolutely vital for the protection of trade and intercourse between their countries and ours. I earnestly hope that the next session of the Congress may promptly pass some measure which will meet the existing situation and enable us to seize and possess ourselves permanently of the greatest opportunity ever presented to this nation of establishing enduring and mutually profitable commercial and friendly relations with our neighbors of the South American continent.

The claim is made that the Government should not provide the proposed steamship facilities because it will interfere with private enterprise. According to the testimony of Senators Weeks, Gallinger and other distinguished men, American enterprise has failed to enter the South American field. They told us so when they voted for the adoption by the Senate of the Resolution introduced by Senator Weeks, which declares that "it is desirable to develop and extend commercial relations with South America by the establishment of direct lines of communication for carrying the United States mails, for the transportation of passengers and freight," and that *"private capital has not engaged in this service to a sufficient extent to furnish facilities comparable to those enjoyed by the people of other countries having trade relations with South America."* How could the Government, therefore, interfere with private capital, if it should undertake to give relief to South America, when private capital, as Senators Weeks and Gallinger and their colleagues declared, has failed to occupy that field?

For the past fifty years the Government has given private capital the monopoly of the ocean transportation field. Private capital has failed to take advantage of its monopoly because it has not developed the necessary steamship lines. Should we continue any longer this monopoly in favor of private capital, when it refuses to take advantage of it, and by so doing deprives our people of facilities essential to their welfare and prosperity?

Shall this giant nation, strong in resources, intelligence and courage, sit impotently any longer and wait for indifferent private capital to build our naval auxiliaries and supply the marine facilities imperatively demanded for national preparedness and protection in time of war and for the welfare of our people and the promotion of our commerce in time of peace? We may as well as private capital to build our navy, or hesitate to have a navy unless we can operate it at a profit.

I have no patience with the argument that the Government should not supply needed or essential facilities or service to our people unless a profit can be earned. When private capital cannot, or will not, supply such facilities or service, then it is the duty of the Government to supply them. *If this "profit" line of reasoning had prevailed, would we ever have built the Panama Canal?* Absolutely no. Here is a huge enterprise vital to our material interests and to the interests of humanity. The undertaking was so large and the cost so great that private capital would not assume it. It was also certain from the very outset that the earnings of the canal would not even pay the interest at three per cent on the investment; that they would not pay the cost of maintenance and operation for many years to come. Did that deter the Government from undertaking this great work and performing this great service for the welfare of all the people? Fortunately such arguments did not prevail. We have the Panama Canal and it is worth to this Nation many times more each year in actual dollars than the annual loss sustained. Suppose we had waited until now for private capital to build the Panama Canal. We would not even have made a beginning.

We have done the same thing in building the Alaskan Railroad to develop one of our greatest storehouses of wealth for the benefit of all the people. Private capital would not do it, so the Government has undertaken it. No doubt many years will elapse before the earnings of the road will show a profit on the investment, but the indirect benefit and profit to the people of this country, to say nothing of the direct benefit to the people of Alaska and the Northwest, more than justify the action of the Government.

Can we afford to say that the Government shall never do anything for the general welfare unless each agency can earn a profit? If we did, the Government would and should go out of existence.

Take the Public Health Service for example. One of its chief functions is to protect our people against the importation of contagious and infectious diseases. Several years ago the bubonic plague appeared in San Francisco. Rats become deadly enemies at such times because they are the most dangerous agency for the spread of the disease. The Treasury Department, of which the Public Health Service is a bureau, was appealed to for help. We spent hundreds of thousands of dollars for the extermination of the rats and the plague. We shall never see that money again, but we saved San Francisco. Would you have had the Government leave the people of San Francisco in peril until it could be as-

sured of a profit on dead rats? Imagine the Government hesitating to act in such an emergency because it could not see a profit on the operation of saving the people.

We maintain a Life Saving Service at a cost of $2,600,000 per annum. We saved 4,700 human lives during the fiscal year of 1914, but we didn't make a profit. Imagine a human being drowning and calling for help and Uncle Sam standing on the shore and shouting back that the price for each life saved is so many dollars and refusing to help the drowning citizen until the price was secured! Should we allow 4,700 people to drown each year because we cannot save them at a profit?

A less extreme case is the Revenue Cutter Service. We saved that year approximately $9,000,000 of property imperiled at sea. We made no profit on it, and it costs $2,500,000 per year to operate the service. Salvage companies complain because the Government interferes with "private business" in saving life and property endangered at sea. Shall sordid considerations deter the Government from operating useful agencies for the welfare of our country and the protection of humanity? Such arguments are not worth listening to, but they show the absurdity of one of the arguments made by the opponents of a merchant marine backed by the Government, viz:—that it ought not to be created because it may be operated at a loss. Such a consideration should not be the determining factor in any manner like a naval auxiliary merchant marine, which involves the vital interests of the nation. If the Government backs a shipping corporation as proposed I believe that it will operate at a profit and not at a loss.

The champions of subsidy and private capital say that we must change our navigation laws, as well as give subsidies, before private enterprises will come to the front. There seems to be a great conflict of opinion among these gentlemen as to just what these changes should be, but they all seem to agree that the most important changes they want relate principally to the American seaman. Complaint is made that under our laws a larger number of seamen are required in the crews of the ships, that higher wages must be paid to them, and that the general standards for the comfort and upkeep of our sailors on board ship are more favorable to our sailors than those of other countries, and therefore, that it is more expensive to shipowners to operate under our flag than under the flags of other countries.

I have no doubt that there are inequalities and inconsistencies in our navigation laws that can be corrected with advantage to the country The Shipping Board can perform a most useful service by studying these laws and making intelligent recommendations to the Congress.

But I do not believe that the standards for the American seaman should be lowered, nor do I believe that any Congress of the United States will ever lower them. The reasons I believe it would be unwise are, first, the question of humanity The treatment of the sailor under the navigation laws of most of the nations of the earth, so far as I have been able to study them, has always made me wonder why as many men choose a seafaring life as do; second, the question of a trained naval reserve. It is just as essential, as I said before, if we are to have a naval reserve, that we shall have trained *American seamen* as it is to have the vessels themselves.

If we lower the standards for the American seamen by changing our navigation laws as private capital demands, or, at least, as I understand it demands, and

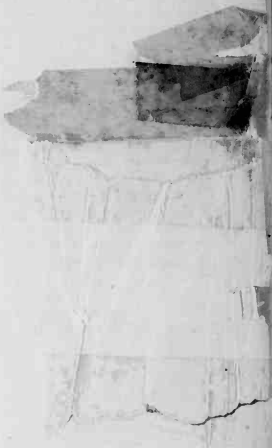
put the American seaman on a parity with Asiatic and European seamen, then it will be impossible to induce Americans to adopt a seafaring life. Our merchant marine would in that event be manned by Asiatics and a heterogeneous collection of all the races of the world. They would have no American national spirit and could not be depended upon to fight for our flag in case of war.

But even if the navigation laws are changed to suit private capital, and even if subsidies or subventions are granted, where can you get the guarantee or assurance that private capital will come forward in sufficient amount immediately to do the job so imperatively demanded for naval preparedness and for the promotion of our commerce? No such guarantee or assurance can be secured. I think it will be agreed that even after such changes were made, private capital in this country would have to be educated to them; that it would come slowly to realize that the laws were sufficiently advantageous to suit it; that even then shipping ventures would be entered upon a small and hesitating way for a long time, and that the ultimate development of a merchant marine, through the medium of private capital, would be slow and timorous at best.

We are confronted by a situation which, because of its very necessities, demands *prompt* and *vigorous* treatment by some agency strong enough, financially and otherwise, to be effective. Think of our present opportunity, even disregarding necessities. Shall we or not grasp the marvelous opportunity we now have to extend our trade throughout the world? This opportunity will not wait. Already we have lost invaluable time; we have lost ground we can never recover. We must move swiftly if we are going to take the place in the world's markets which some of our leading industrial competitors have been forced to abandon. If we do it now we can establish ourselves so firmly that we cannot be dislodged upon the return of peace.

Opportunity is never worth anything to the timid or the hesitating. It is to the strong and courageous and swift that opportunity counts. Shall we sleep while the opportunity to be the dominant financial and industrial power of the world, with all of its great moral potentialities, is trying to force itself into our indifferent grasp, or shall we, with the courage, decision, enterprise and vision which characterized our ancestors, seize this marvelous opportunity and make America a permanent, vital and irresistible force for the welfare of humanity and the progress of civiliztion?

This is what it will mean to the future of our country and to the part it must play in the world's history, if we have the vision, the courage and the imagination to go ahead.



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